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Applicant	: Steven M. Bloom et al.	Art Unit	: 3624
Serial No.	: 10/077,182	Examiner	: Sara M. Chandler
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Title	: BALANCING ARBITRAGABLE TRACKING SECURITIES		

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APPEAL BRIEF ON BEHALF OF STEVEN M. BLOOM ET AL.

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(1) Real Party in Interest

The real party in interest in the above application is The NASDAQ OMX Group, Inc.

(2) Related Appeals and Interferences

Appellant is not aware of any appeals or interferences related to the above-identified patent application.

Appellant has also filed appeal in application 10/001,900 filed November 14, 2001. That appeal has not yet been docketed to the Board.

(3) Status of Claims

This is an appeal from the decision of the Primary Examiner in a final office action dated July 24, 2008, finally rejecting claims 1-20, all of the claims in the application.

Appellant filed a Notice of Appeal on November 21, 2008. Claims 1-20 are the subject of this Appeal.

(4) Status of Amendments

All amendments have been entered.

(5) Summary of Claimed Subject Matter

Claim 1

Appellant's claim 1 is directed to a method that is executed on a computer to produce shares in a financial product that are traded on a first marketplace.[1]

Inventive features of Appellant's claim 1 include recording by the computer, exchange between a market participant and an agent of a creation unit basket of securities for a first fund for a prescribed number of shares in the first fund, the shares in the first fund trading in a first country, and the creation unit basket of securities having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a

[1] See FIGS. 1 and 4, and Appellant's Specification page 10, lines 29 to page 11 line 10.

second, different country. "*Referring to FIG. 1, a first index-tracking fund 12 issues tracking fund shares 14 that are traded on a marketplace 16 in a first country 18, ... The first tracking fund 12 has a different country of registration 18 than that of a second fund 22. The second fund 22 also issues tracking fund shares 24 traded on a second marketplace 26. The second marketplace 26 is based in a second country 28.*"[2] and "*the first tracking fund 12 uses a creation unit 15 basis that is substantially the same as, and preferably essentially identical to, the creation unit 25 basis for the second tracking fund 22.*"[3] See also FIG. 1.

Inventive features of Appellant's claim 1 also include recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund. "*As shown in FIG. 3, if the calculation 64 indicates that the agent that issues the first fund shares must also issue cash to the market participant 66, the agent at its option can instead issue 68a first fund shares with the "cash amount" that it must deliver wholly or partially of second fund shares 24 or other securities (e.g., shares in companies in the basket). Similarly, if the calculation 64 indicates that the agent that issues the first fund shares 14 is to receive cash from the market participant, the agent at its option can require that the participant deliver second fund shares 24 or other securities along with the basket.*"[4] See also FIG. 3.

Claim 7

Appellant's claim 7 is directed to a computer program product residing on a computer readable medium for administrating a first fund that is traded on a first marketplace in a first country, in which the first fund is based on a creation unit basket for a second fund that is traded on a second market place in a second, different country.[5]

Inventive features of Appellant's claim 7 include the instructions to determine a number of shares in the second fund or in other securities to account for a cash amount owed between an

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[2] Appellant's Specification page 3, lines 11-12 and lines 15-18.
[3] Id. page 4, lines 8-10.
[4] Id. page 9, lines 30 to page 10, line 5.
[5] See FIGS. 1 and 4, and Appellant's Specification page 3, lines 11-18 and page 10, lines 29 to page 11 line 10.

agent and a market participant in addition to a prescribed number of shares in the first fund exchanged between the market participant and the agent in exchange for the creation unit basket. *"The agent exchanges the basket of securities for a prescribed number of first fund shares 14. As part of the exchange, the agent calculates 64 the amount of cash needed to be exchanged between agent and the participant to have the basket and the "cash amount" equate to the NAV of the first fund shares 14 based on prices at the close of trading in the second country."*[6] and *"As shown in FIG. 3, if the calculation 64 indicates that the agent that issues the first fund shares must also issue cash to the market participant 66, the agent at its option can instead issue 68a first fund shares with the "cash amount" that it must deliver wholly or partially of second fund shares 24 or other securities (e.g., shares in companies in the basket). Similarly, if the calculation 64 indicates that the agent that issues the first fund shares 14 is to receive cash from the market participant, the agent at its option can require that the participant deliver second fund shares 24 or other securities along with the basket."*[7] See also, FIG. 3.

Claim 12

Appellant's claim 12 is directed to a computer system including a processor, a memory; and a storage device that stores a program for execution by the processor using the memory, for administrating a first fund that is traded on a first marketplace in a first country, in which the first fund is based on a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second country.[8]

Inventive features of Appellant's claim 12 include instructions to determine a number of shares in the second fund or in other securities to account for a cash amount owed between an agent and a market participant in addition to a prescribed number of shares in the first fund exchanged between the market participant and the agent in exchange for the creation unit basket. *"The agent exchanges the basket of securities for a prescribed number of first fund shares 14. As*

[6] Appellant's Specification page 9, lines 21-25.
[7] Id. page 9, lines 30 to page 10, line 5.
[8] See FIGS. 1 and 4, and Appellant's Specification page 3, lines 11-18, page 4, lines 8-10, and page 10, lines 29 to page 11 line 10.

part of the exchange, the agent calculates 64 the amount of cash needed to be exchanged between agent and the participant to have the basket and the "cash amount" equate to the NAV of the first fund shares 14 based on prices at the close of trading in the second country."[9] and *"As shown in FIG. 3, if the calculation 64 indicates that the agent that issues the first fund shares must also issue cash to the market participant 66, the agent at its option can instead issue 68a first fund shares with the "cash amount" that it must deliver wholly or partially of second fund shares 24 or other securities (e.g., shares in companies in the basket). Similarly, if the calculation 64 indicates that the agent that issues the first fund shares 14 is to receive cash from the market participant, the agent at its option can require that the participant deliver second fund shares 24 or other securities along with the basket."*[10] See also, FIG. 3.

Claim 16

Appellant's claim 16 is directed to a computer program product residing on a computer readable medium, for administrating a first exchange-traded fund. [11]

Inventive features of Appellant's claim 16 include instructions to record creation of the first exchange-traded fund, the first exchange-traded fund having a prescribed number of shares for trading in a first country, the first exchange-traded fund produced by delivery from a market participant to an agent, in exchange for the prescribed number of shares in the first exchange-traded fund, of a creation unit basket of securities for the first exchange-traded fund having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second country. *"Referring to FIG. 1, a first index-tracking fund 12 issues tracking fund shares 14 that are traded on a marketplace 16 in a first country 18, ... The first tracking fund 12 has a different country of registration 18 than that of a second fund 22. The second fund 22 also issues tracking fund shares 24 traded on a second marketplace 26. The second marketplace 26 is based in a second country 28"*[12], *"the first tracking fund 12 uses a creation unit 15 basis that is substantially the same as, and preferably*

[9] Appellant's Specification page 9, lines 21-25.
[10] Id. page 9, lines 30 to page 10, line 5.
[11] See FIGS. 1 and 4, and Appellant's Specification page 10, lines 29 to page 11 line 10.
[12] Appellant's Specification page 3, lines 11-12 and lines 15-18.

essentially identical to, the creation unit 25 basis for the second tracking fund 22"[13], and "*Creation of a creation unit number of fund shares involves the delivery of a creation unit basket of such stocks by certain market participants, known as authorized participants, to an agent. In exchange for the delivery of that basket of stocks (plus or minus a "cash amount" as determined daily), the agent, e.g., a bank, trustee, and so forth, receives the delivery, and issues a block of shares in the fund.*"[14] See also FIG. 1.

Inventive features of Appellant's claim 16 also include instructions to determine a number of shares in the second exchange-traded fund or in other securities to satisfy an amount of cash that is owed between the agent and the market participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash. "*As shown in FIG. 3, if the calculation 64 indicates that the agent that issues the first fund shares must also issue cash to the market participant 66, the agent at its option can instead issue 68a first fund shares with the "cash amount" that it must deliver wholly or partially of second fund shares 24 or other securities (e.g., shares in companies in the basket). Similarly, if the calculation 64 indicates that the agent that issues the first fund shares 14 is to receive cash from the market participant, the agent at its option can require that the participant deliver second fund shares 24 or other securities along with the basket.*"[15] See also FIG. 3.

Inventive features of Appellant's claim 16 also include instructions to record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities to account for the cash. "*The agent exchanges the basket of securities for a prescribed number of first fund shares 14*"[16] and "*The agent can set a maximum amount of cash that it will give to or receive from participants. Any transactions with "cash amounts" exceeding this amount will result in the "cash amount" being wholly or partially paid (either by the participant to the agent or by the agent to the participant*

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[13] Appellant's Specification page 4, lines 8-10.
[14] Id. page 4, lines 14-18.
[15] Id. page 9, lines 30 to page 10, line 5.
[16] Id. page 9, lines 21-22.

depending upon which owes the "cash amount") in second country fund shares 24 (or other securities), possibly plus or minus a small cash sum."[17]

Claim 19

Appellant's claim 19 is directed to a method executed on a computer for administrating a first exchange-traded fund.[18]

Inventive features of Appellant's claim 19 also include producing the first exchange-traded fund by recording by the computer delivery from a market participant to an agent a creation unit basket of securities for the first exchange-traded fund, in exchange for a prescribed number of shares in the first exchange-traded fund, the shares for the first exchange-traded fund trading in a first country and the creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second country. *"Referring to FIG. 1, a first index-tracking fund 12 issues tracking fund shares 14 that are traded on a marketplace 16 in a first country 18, ... The first tracking fund 12 has a different country of registration 18 than that of a second fund 22. The second fund 22 also issues tracking fund shares 24 traded on a second marketplace 26. The second marketplace 26 is based in a second country 28."*[19] and *"the first tracking fund 12 uses a creation unit 15 basis that is substantially the same as, and preferably essentially identical to, the creation unit 25 basis for the second tracking fund 22"*[20], *"Referring to FIG. 3, to create shares in the first fund 12 an agent receives 62 from a market participant the basket of securities for a creation unit 15 of the first country find"*[21], and *"The agent exchanges the basket of securities for a prescribed number of first fund shares 14"*[22] See also FIG. 1.

Inventive features of Appellant's claim 19 also include producing the first exchange-traded fund by determining by the computer a number of shares in the second exchange-traded fund or in other securities to satisfy an amount of cash that is owed between the agent and the

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[17] Appellant's Specification page 10, lines 12-16.
[18] See FIGS. 1 and 4, and Appellant's Specification page 10, lines 29 to page 11 line 10.
[19] Appellant's Specification page 3, lines 11-12 and lines 15-18.
[20] Id. page 4, lines 8-10.
[21] Id. page 9, lines 19-20.
[22] Id. page 9, lines 21-22.

market participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash. *"The agent can set a maximum amount of cash that it will give to or receive from participants. Any transactions with "cash amounts" exceeding this amount will result in the "cash amount" being wholly or partially paid (either by the participant to the agent or by the agent to the participant depending upon which owes the "cash amount") in second country fund shares 24 (or other securities), possibly plus or minus a small cash sum."*[23]

Inventive features of Appellant's claim 16 also include producing the first exchange-traded fund by recording by the computer the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities to account for the cash. *"The invention can be implemented in digital electronic circuitry, or in computer hardware, firmware, software, or in combinations thereof. Additionally, aspects of the invention can be implemented manually. For example, the calculations of the NAV for the first fund and the second fund can occur in systems 110 as shown in FIG. 4. Also, aspects of the calculations of whether to dispense cash or second fund shares 24 (or other securities) when the fund has received a basket of securities can occur in systems as in FIG. 4."*[24]

(6) Grounds of Rejection to be Reviewed on Appeal

(1) Claims 1, 7 and 19 stand rejected under 35 U.S.C. 101 as directed to non-statutory subject matter.

(2) Claims 1-20 stand rejected under 35 U.S.C. 112, second paragraph, as being indefinite.

(3) Claims 1-20 stand rejected under 35 U.S.C. 103(a) as being unpatentable over Gastineau, US Pub. No. 2001/0025266 in view of "Exchange traded funds—the wave of the future ?," by Stuart M. Strauss.

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[23] Appellant's Specification page 10, lines 12-16.
[24] Id. page 10, line 29 to page 11, line 3.

(7) Argument

Obviousness

"It is well established that the burden is on the PTO to establish a prima facie showing of obviousness, *In re Fritsch*, 972 F.2d. 1260, 23 U.S.P.Q.2d 1780 (C.C.P.A., 1972)."

In *KSR Intl. Co. v. Teleflex Inc.*, 127 S.Ct. 1727 (2007), the Supreme Court reversed a decision by the Court of Appeal's for the Federal Circuit decision that reversed a summary judgment of obviousness on the ground that the district court had not adequately identified a motivation to combine two prior art references. The invention was a combination of a prior art repositionable gas pedal, with prior art electronic (rather than mechanical cable) gas pedal position sensing. The Court first rejected the "rigid" teaching suggestion motivation (TSM) requirement applied by the Federal Circuit, since the Court's obviousness decisions had all advocated a "flexible" and "functional" approach that cautioned against "granting a patent based on the combination of elements found in the prior art."

In *KSR* the Supreme Court even while stating that: "the Court of Appeals drew the wrong conclusion from the risk of courts and patent examiners falling prey to hindsight bias," warned that: "a factfinder should be aware, of course, of the distortion caused by hindsight bias and must be cautious of arguments reliant upon *ex post* reasoning."

> The Court of Appeals, finally, drew the wrong conclusion from the risk of courts and patent examiners falling prey to hindsight bias. A factfinder should be aware, of course, of the distortion caused by hindsight bias and must be cautious of arguments reliant upon *ex post* reasoning. See *Graham*, 383 U. S., at 36 (warning against a "temptation to read into the prior art the teachings of the invention in issue" and instructing courts to "'guard against slipping into the use of hindsight'" (quoting *Monroe Auto Equipment Co. v. Heckethorn Mfg. & Supply Co.*, 332 F. 2d 406, 412 (CA6 1964))). Rigid preventative rules that deny factfinders recourse to common sense, however, are neither necessary under our case law nor consistent with it.

With respect to the genesis of the TSM requirement, the Court noted that although "As is clear from cases such as Adams[25], a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was, independently, known in the prior art. Although common sense directs one to look with care at a patent application that claims as

[25] United States v. Adams, 383 U. S. 39, 40 (1966)

innovation the combination of two known devices according to their established functions, it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does. This is so because inventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known."

"The mere fact that the prior art could be so modified would not have made the modification obvious unless the prior art suggested the desirability of the modification." *In re Gordon*, 221 U.S.P.Q. 1125, 1127 (Fed. Cir. 1984).

> Although the Commissioner suggests that [the structure in the primary prior art reference] could readily be modified to form the [claimed] structure, "[t]he mere fact that the prior art could be so modified would not have made the modification obvious unless the prior art suggested the desirability of the modification." *In re Laskowski*, 10 U.S.P.Q. 2d 1397, 1398 (Fed. Cir. 1989).

"The claimed invention must be considered as a whole, and the question is whether there is something in the prior art as a whole to suggest the desirability, and thus the obviousness, of making the combination." *Lindemann Maschinenfabrik GMBH v. American Hoist & Derrick*, 221 U.S.P.Q. 481, 488 (Fed. Cir. 1984).

> Obviousness cannot be established by combining the teachings of the prior art to produce the claimed invention, absent some teaching or suggestion supporting the combination. Under Section 103, teachings of references can be combined only if there is some suggestion or incentive to do so. *ACS Hospital Systems, Inc. v. Montefiore Hospital*, 221 U.S.P.Q. 929, 933 (Fed. Cir. 1984) (emphasis in original, footnotes omitted).

"The critical inquiry is whether 'there is something in the prior art as a whole to suggest the desirability, and thus the obviousness, of making the combination.'" *Fromson v. Advance Offset Plate, Inc.*, 225 U.S.P.Q. 26, 31 (Fed. Cir. 1985).

(1) Claims 1, 7, and 19 are directed to statutory subject matter

The examiner rejected claims 1, 7 and 19 under 35 U.S.C. 101 as directed to non-statutory subject matter.

Appellant contends that this rejection is improper. On October 30, 2008, subsequent to the mailing of the final office action from which Appellant appeals, the Federal Circuit issued a decision in *In re Bilski*. In this case, the court adopted a "machine-or-transformation" test for patentability. Under this test, a process is patentable if: "(1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." Claim 1 recites "recording by the computer, exchange between a market participant and an agent ," and is thus tied to a computer system, which is a machine or apparatus.

The Bilski case also rejected the useful, concrete and tangible result test relied on by the examiner and outlined in *State Street Bank*. For example, Bilski states "[t]herefore, we also conclude that the 'useful, concrete and tangible result' inquiry is inadequate and reaffirm that the machine-or-transformation test outlined by the Supreme Court is the proper test to apply." As such, the test applied by the examiner, is no longer the correct test for determining patentable subject matter.

The Result is Useful, Concrete, and Tangible

Nonetheless, the claims provide a result that is useful, concrete and tangible. With respect to claims 1 and 7 the examiner argues that: "**The claims fail to provide a "useful result" because they can be read so broadly as to include statutory and nonstatutory subject matter.**" Appellant disagrees. Each of these claims require "recording by the computer." As such the claims can only encompass statutory subject matter because the claims only encompass actions that can only be performed by a particular machine.

The examiner also argues that: "**In both cases the claims are conclusory and merely state the goal be achieved. (See preemption discussion).**" Appellant disagrees. The claims recite the positive, active actions needed to distinguish over the prior art, namely, recording by the computer, exchange ... of a creation unit basket of securities for a first fund ..., the shares in the first fund trading in a

first country, and the creation unit basket of securities having a ... basis that is substantially the same as a ... basis for a second fund ... traded ... in a second, different country, and recording by the computer, delivery ... a number of shares in the second fund or in other securities to account for a cash amount owed ... ."

The claims provide a "concrete result" because the claims recite the steps of recording and in particular the steps of recording the number of shares in the second fund or other securities that account for cash to be exchanged. The examiner provides naked conclusion that the claims are: "**... not substantially repeatable and they cannot substantially produce the same result again.**" The examiner's reasoning does not support the examiner's conclusion. There is nothing in the feature of "recording by the computer exchange ..." that would lead to a reading that the step "**... may not happen.**" As for the second limitation, this limitation is not dependent on an intended use/result, but rather is dependent on the first limitation of recording by the computer of exchange of a creation unit for shares in a first fund. The feature "to account for a cash amount owed between the agent and the market participant" is not an intended use but rather a recited standard against which the number of shares in the second fund or the other securities is measured.

The examiner however is improperly mixing bases for the rejection under 101 by arguing that: "(c) **The claim is indefinite because the meaning of terms in the claim is unclear (e.g., substantially).**" The term "substantially" as used in the claims is not a relative term that would render the claims indefinite, but rather is a term that expresses a degree of tolerance and is therefore proper.

The examiner argues that: "**In the case of claim 7, (a) The only limitation (i.e., determine a number of shares in the second fund...." is dependent on an intended use/result (i.e., to account for a cash amount owed between an agent and a market participant....) but an intended use/result is neither guaranteed or required to occur, (b) The claim is indefinite because the meaning of terms in the claims are unclear (e.g., substantially).**" Appellant disagrees because even in the instance where there is no cash owed, the computer still records that fact, namely that zero shares of the second fund or other securities were delivered.

Claim 1 is a Proper Method Claim

The examiner argues that claim 1 is "**(2) Not a proper method (i.e., process) claim.**" Claim 1 meets at least the first test as set out by the examiner, i.e., both of the steps are tied to another statutory class, a manufacture, by requiring recording by a computer, a particular apparatus. It also results in a transformation e.g., by the reasoning presented in *State Street* argued of record.

Unlike the situation in *Comiskey*, also relied on by the examiner, here the claims are tied to a particular machine, which was not the case in *Comiskey*.

The examiner also argues that: "**Re Clam 1: At best, the method claim provides only a nominal recitation of another statutory class. As noted supra, a method claim is defined by the steps or acts performed. If that is the case, the only steps performed by the claimed method are "recording...." and "recording " In other words, the claimed method is just storing data..**" Appellant disagrees. Unlike the situation of mere descriptive material, the acts of recording and recording require the use of data that transform the state of the computer by the very acts of recording. The data recited in the claim are used in the context of a calculation, to ascertain the "prescribed number of shares." These calculations are discussed in the specification, but inclusion of these calculations in the claims would unnecessarily narrow the scope of these claims because it would be easy for another system of another entity to perform this calculation and thus have infringers avoid direct infringement of the claims.

Essential Steps are Not Missing

The examiner presents a principle that proscribes "Preemption." However the examiner has not explained how Appellant's claims preempt an idea, law of nature or natural phenomena. Clearly, the later two do not apply and the former, "idea," is inapplicable because of the presence of the computer.

The examiner also presents an argument of missing essential steps. The examiner argues: "**For example, before any exchanging can occur one must identify how they are getting a prescribed number of shares, a creation unit etc. Also, essential steps are missing. For example, the steps in the dependent claims such as calculating the amount of cash needed to be exchanged relies on the step of calculating the net asset value of the first fund at the close of trading in the second country in which the second fund is trading having already occurred in the independent claim.**" Again, the examiner requires features that only serve to narrow the scope of the claims without the examiner having produced any prior art that would require Appellant to narrow the scope of

these claims. For instance, calculating the net asset value, is clearly a conventional step, that might be performed on a different system by a different entity, and thus allow the infringer to easily avoid any direct infringement of the claim.

With respect to claim 7, the claimed invention recites a single limitation of instructions to "determine a second number of shares in the second fund...." This limitation is not "**the goal to be achieved**" as the examiner argues, but rather is a calculation performed by the invention as claimed in claim 7.

(2) Claims 1-20 particularly point out the subject matter that Appellants regard as their invention.

The examiner rejected claims 1-20 under 35 U.S.C. 112, second paragraph, as being indefinite.

Appellant notes that it is well settled that it is not necessary for the claims to recite every element needed for practical utilization of the claimed subject matter in order for a claim to be proper under 35 U.S.C. §112, second paragraph, *Bendix Corp. v. United States*, 600 F.2d 1364, 1369, 204 U.S.P.Q. 617, 621 (Court of Claims, 1979). It is not the role of the claims to enable one skilled in the art to reproduce the invention, but rather to define the legal metes and bounds of the invention. *In re Geoffe*, 526 F.2d 1393, 1397, 188 U.S.P.Q. 131, (CCPA, 1975). The claims need not provide all operating details but a method claim should recite a positive step. *In re Erlich*, 3 U.S.P.Q. 2d 1011 (Bd. Pat. App. & Int., 1986).

Claims 1, 7, 12, 16, and 19 are Complete and Not Conclusory

Appellants have set forth the subject matter of their invention, as required by 35 U.S.C. 112, second paragraph. Appellants note that the examiner has not found any prior art that would necessitate a narrowing of the scope of claim 1, as will be set forth *infra*.

One skilled in this art would be capable of appreciating the metes and bounds of claim 1 and to understand what Appellants consider to be their invention, which is what is required by 35 U.S.C. 112, second paragraph.

The examiner argues that "**Claims 1, 7, 12, 16 and 19 are ... incomplete for omitting essential steps and omitting essential elements, such omission amounting to a gap between the steps and gap between the elements.**" The claims do not recite "conclusions," but recite a combination of features used in producing the shares in the product. The questions raised by the examiner, e.g., prescribed number of shares are addressed in the specification and are not specifically needed to distinguish over the prior art.

The examiner argues regarding claims 1, 7, 12, 18 and 23 that the claims make reference to "**intended use/intended results without giving any life or meaning to these statements in the claims. Also, the claims recites language that is passive in the claim because it could be done but, does not have to be done ... .**" Terms with which the examiner has problems, for instance "to account for a cash amount owed ", are clearly described in the specification and a calculation of that feature is not needed to distinguish these claims over the prior art. However, these terms are not intended use language because they are part of a calculation needed to have the shares/creations units equate.

The examiner also argues that: "**In claims 1, 7, 12, 18 and 23, the dependent claims rely on certain steps and or elements that fail to occur in the independent claims (e.g., net asset value/value).**" Appellant contends that it is not necessary for these claims to recite these "steps," in order for the metes and bounds of the claims to be understood by one skilled in this art. These features are not needed to distinguish the claims over the cited art and Appellant submits that the examiner merely seeks to force Appellant to narrow these claims without the examiner producing any prior art that would require such narrowing. Moreover, these steps need not be performed by the actor that performs the underlying features of the independent claims.

The Preamble of Claim 1 is Proper

The examiner argues that: "**In claim 1, the preamble is drawn to a method of producing a financial product but the claimed invention fails to accomplish that result. How is the financial product produced?**" The preamble of claim 1 is drawn to "A method of producing shares in a financial product." This is accomplished by the two recording steps recited in the claim.

The Term "substantially" Is Not Indefinite

The term "substantially" in claims 1, 7, 12, 16 and 19 is not a relative term that would render the claims indefinite, but rather is a term that expresses a degree of tolerance specifically directed to the creation unit basis of the first and the second fund, permitting these funds to vary slightly in composition as is common in the securities industry for conventional funds, and is therefore proper. The term substantially is measured by, e.g., the degree of closeness for arbitration that is desired by the market. That is, Appellant describes that ideally, the creation unit basis of each fund should be the same. "Substantially" allows for flexibility in that basis, as would be well-known by those skilled in the art of producing ETF's. For instance, many financial prospectuses often make allowance for minor variations in composition of index funds from the underlying index.

"Other securities", "value", and Other Terms Would Be Understood By One Skilled In The Art

Claims 1, 3, 4, 6, 7, 10, 11, 12, 12, 16 and 19 recite the limitation "other securities". The examiner asks: "**What securities are these?**" Other securities, as disclosed in the specification, can be any other securities other than shares in the first fund and the second fund, which is already covered in the delivery of the second recording action, as set forth in the specification.

Regarding Claims 4, 10, 15 and 25, the features of "value," could be a value or net asset value, as appropriate.

The examiner also argues: "**In claims 2, 8, 13, 17 and 20, the claims make reference to intended use/intended results without giving any life or meaning to these statements in the claims.**" Appellant disagrees. Terms that the examiner has problems with for instance "to account for a cash amount owed " are clearly described in the specification and a calculation of that feature is not needed to distinguish these claims over the prior art.

Antecedent Bases are Sufficient

The examiner also argues that: "**Claims 2 recites the limitation "the net asset value of the first fund, calculated at the close of trading in the second country". There is insufficient antecedent basis for these limitations in the**

claims." Appellants contend that there is sufficient antecedent basis in claim 1, which recites second, different country for "second country" as recited in claim 2.

The examiner also argues that: "**Claims 2, 8,13,17 and 20 recite the limitation "the amount of cash needed to be exchanged". There is insufficient antecedent basis for this limitation in the claims. i.e., The cash amount referred to in the independent claims is the cash amount owed not, the cash amount needed.?**" Claim 2, for instance, introduces calculating the amount of cash "needed" to be exchanged. That calculation indicates the amount of cash that is owned by the participant to the agent or by the agent to the participant as expressed in the last line of claim 2.

(3) Claims 1-20 are patentable over Gastineau (US Pub. No. 2001/0025266) and "Exchange traded funds—the wave of the future ?," by Stuart M. Strauss

Claims 1, 7, and 12

For the purposes of this appeal only, claims 1, 7 and 12 stand or fall together. Appellant's claim 1 is representative of this group of claims.

Claim 1

The examiner argues that:

> **Re Claim 1: Gastineau discloses a method of producing shares in a financial product, which are that-is traded on a first marketplace, the method executed on a computer, the method comprising:**
>
> **recording by the computer, exchange between a market participant and an agent of a creation unit basket of securities for a first fund for a prescribed number of shares in the first fund, the shares in the first fund trading in a first country~ and the creation unit basket of securities having a creation unit basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second-different country (Gastineau, |0001| |0002| |0003| |0004|).**
>
> **Gastineau fails to explicitly disclose a method comprising:**
>
> **recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.**
>
> **Strauss discloses the method comprising:**
>
> **recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund (Strauss, pgs. 1-3).**
>
> **It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of**

Strauss to provide a method further comprising recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

Claim 1 is neither described nor suggested by any combination of Gastineau and Strauss, because no combination of these references suggests at least the feature of "recording by a computer exchange ... of a creation unit basket of securities for a first fund ..., having a basis that is substantially the same ... basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country."

Claim 1 further distinguishes over the alleged combination of references because that combination taken with the knowledge of one of ordinary skill in this art neither describes nor suggests the feature of: "recording ... delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed ... .

The examiner uses Gastineau to teach the feature of recording ... exchange. The examiner has not explicitly shown where Gastineau teaches the claimed exchange feature and in particular "a first fund ..., having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second country."

Gastineau describes a SPDR, a depository trading receipt based on the S&P 500 Index. However, nowhere in those passages or elsewhere in Gastineau is there described both the first fund traded in the first country and the second fund traded in the second country.

That is, Gastineau does not have any suggestion of, e.g., a trust or a fund, in, e.g., Europe that is based on the S&P 500 (SPDR's) traded in the US, which in the context of claim 1, would be an example of the "first fund." Gastineau merely provides teachings for the "second fund" in the context of claim 1.

Appellant specifically requested that the examiner identify the element of Gastineau that correspond to the first fund and the element in Gastineau that corresponds to "a second fund that is traded on a second marketplace in a second, different country." To date the examiner has not done so.

Gastineau describes a hedging technique to produce a hedge basket of securities to hedge against trading of actively managed funds. However, the hedge basket does not possess the features of a second fund trading in a second, different country than the actively managed first fund nor having a creation unit basket of securities for the first fund that has a basis that is the same or substantially the same as a creation unit basis for the second fund. The hedge basket is neither registered nor are shares thereof traded, nor does the hedge basket have the same or substantially the same basis as the creation unit of the actively managed fund. Essentially, the hedge portfolio is a portfolio that is comprised of selected stocks based on modeling price movements of an actively managed fund, whereas the composition of the actively managed fund is generally not known.

The examiner uses Strauss to teach the feature of recording ... delivery. However, Strauss neither describes nor suggests: "delivering by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount ... ."

Rather, Strauss describes the conventional approach in which cash is delivered to account for dividends etc. For instance, Strauss describes on page 2,

> A small cash payment (Cash Component) generally must also be made. The list of the names and number of shares of the Deposit Securities on a particular trading day is made available daily to market participants prior to the opening of trading by the trustee (in the case of a UIT), or investment advisor or custodian (in the case of a managed fund), typically through the facilities of the National Securities Clearing Corporation (NSCC).[6] The Cash Component is an amount equal to the Dividend Equivalent Payment (as defined below) plus or minus a balancing amount intended to insure that (consistent with Rule 22c-1 under the Investment Company Act of 1940) shares are purchased at NAV next calculated following receipt of the purchase order in proper form.[7] The Dividend Equivalent Payment is an amount intended to enable an ETF to make a distribution of dividends on the next payment date as if all of the ETF's portfolio securities had been held for the entire dividend period. (Footnotes omitted).

Strauss does not cure the deficiencies of Gastineau and when taken with Gastineau neither describes nor suggests the first and the second funds traded in different first and second countries> Nor does Strauss describe or suggest "delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for a cash amount ... ."

While Appellant notes that Strauss does describe delivering a prescribed number of shares in exchange for the creation unit basket of securities, this again is akin to the conventional

teachings of Gastineau regarding, e.g., the SPDR's and thus does not cure the deficiencies in Gastineau. Nonetheless, Strauss also clearly describes on page 3 that cash is exchanged along with the shares exchanged for the creation unit basket of securities.

> Redemption proceeds include the Fund Securities plus cash in an amount equal to the difference between the NAV of the Shares being redeemed and the value of the Fund Securities.[10] If the value, however, of the Fund Securities is greater than the NAV of the Shares, a cash payment equal to the differential must be paid to the ETF. (Footnotes omitted).

Strauss does not describe or suggest "delivering by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed ..." and no combination of these references describes or suggests this feature.

The examiner previously commented on her opinion that" **The idea that something (i.e., usually other than money) that is an equivalent or near equivalent (i.e., in value, use etc.) can be given as an alternative or replacement for something else.**" [26]

The examiner argues that it would have been obvious in view of Gastineau and/or Strauss to use shares in the second fund, or in other securities, in lieu of cash to account for cash that may be exchanged.

Appellants contend that the examiner's reasoning is a conclusion not a reason. The conclusion is based on improper hindsight when looking at Appellants' claims because the primary reference relied on to teach the feature of exchange, namely Strauss, simply neither describes nor suggests to use shares in the second fund or other securities. Gastineau, as admitted by the examiner, does not even address this feature.

Appellants have described a mechanism that permits, e.g., trading of an S&P 500 Index fund, which is normally traded in the U.S. on the American Stock Exchange to trade a, e.g., European version of the S&P 500 Index fund, which while not necessarily fungible with the S&P 500 Index fund traded in the U.S. is arbitragable with the S&P 500 Index fund traded in the U.S.

The examiner has not shown any teachings from Gastineau or Strauss that suggests to one of ordinary skill in the art to deliver a number of shares in the second fund or in other securities to account for a cash amount owed. The prior art furnished by the examiner discloses just one

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[26] *Final Office Action* at pp. 20-21.

fund in one country, so issues such as making shares in a first fund arbitragable with shares in a second fund in a second, different country are simply beyond the scope of what Gastineau, alone or in combination with Strauss, *could* suggest to one skilled in the art.

In response to Appellant's argument, the examiner stated:

> **The concept of in-kind purchase and redemption with respect to exchange-traded funds was old and well-known at the time the invention was made. In exchange for a given creation unit for a fund, a number of shares plus/minus a cash component could be exchanged, such that the values exchanged are equal. Furthermore, it was old and well-known that this purchase and redemption occurred at net asset value. See citation supra for Strauss.**

Appellant again points out that this statement is not relevant to the claimed feature of recording ... delivery. Strauss merely describes a conventional exchange of cash. Nothing in Strauss suggested that instead of exchanging cash that one would exchange shares in the second fund or other securities.

The examiner also argues that:

> **Applicant argues, that it is non-obvious that when the creation unit basis between the first fund and the second fund are the same (or nearly the same) and when the net asset value is taken at the same time, that shares in the second fund could also be used. It is noted that this is also obvious in light of the teachings of Gastineau and Strauss. This is also a type of in-kind exchange that old and well-known in fields related to bartering, trading and exchanges. The idea that something (i.e., usually other than money) that is an equivalent or near equivalent (i.e., in value, use etc.) can be given as an alternative or replacement for something else..**

Appellants disagree and request that the examiner furnish documentary evidence that in the context of exchange traded funds that the feature "... a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant ..." is old and well known, because this is not apparent from any of the cited art.

Appellant has requested this documentary support in each of Appellant's Replies to Office Action and the examiner has been unable or unwilling to satisfy that request.

In response to Appellant's argument, the examiner also stated:

> **In response to applicant's argument that the examiner's conclusion of obviousness is based upon improper hindsight reasoning, it must be recognized that**

> **any judgment on obviousness is in a sense necessarily a reconstruction based upon hindsight reasoning. But so long as it takes into account only knowledge which was within the level of ordinary skill at the time the claimed invention was made, and does not include knowledge gleaned only from the applicant's disclosure, such a reconstruction is proper. See *In re McLaughlin*, 443 F.2d 1392, 170 USPQ 209 (CCPA 1971).**

Appellant requests that the examiner specifically point out where in the prior art the examiner finds the knowledge of "a first fund ... trading in a first country... having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country and ... delivery ... of shares in the second fund or in other securities to account for a cash amount owed ... .

These limitations are simply not present in either reference or in the alleged combination of these references.

Appellant submits that it is only after gleaning knowledge from Appellants' claims and teachings that the examiner fashions an argument that these features are well-known. If these features were well-know, the examiner should be able to find them.

Claims 2, 4, 8, 10, 13 and 15

For the purposes of this appeal only, claims 2, 8 and 13 stand or fall together. Appellant's claim 2 is representative of this group of claims.

Claim 2 limits claim 1 and requires calculating by the computer system the amount of cash needed to be exchanged between the agent and the market participant to have the net asset value of the first fund, calculated at the close of trading in the second country in which the second fund is traded, equate to the value of the creation unit basket for that first fund plus or minus that cash amount, to determine the cash amount owed between the agent and the market participant.

No combination of Gastineau and Strauss suggest calculating the amount of cash to have the net asset value of the first fund calculated at the close of trading in the second country in which the second fund is traded equate to the value of second fund.

The examiner argues that Strauss teaches this feature, stating: "... **calculating by the computer system an amount of cash needed to be exchanged between agent and the participant to have the first fund equate to the second fund at the net asset value of the second fund at the close of trading of the second fund in the second country**

(Strauss, pgs. 1-3) ... ." Appellant disagrees. Specifically, Strauss fails to teach "calculated at the close of trading in the second country in which the second fund is traded." Indeed, while Strauss discusses NAV calculations, there is absolutely no basis for the examiner to argue that the calculation is timed as set forth in claim 2. That is Strauss as with Gastineau fail to suggest the first and second funds, with the recited features and calculating by the computer system the amount of cash needed to be exchanged ...to have the net asset value of the first fund, calculated at the close of trading in the second country in which the second fund is traded, equate to the value of the creation unit basket for that first fund plus or minus that cash amount ... ."

Claims 3 and 9

For the purposes of this appeal only, claims 3 and 9 stand or fall together. Appellant's claim 3 is representative of this group of claims.

Claim 3 is patentable over the combination of references because no combination of those references either describes or suggests: "if the cash amount is a negative amount the agent issues shares in the second fund or provides shares in the other securities in lieu of the cash amount, and if the cash amount is a positive amount the agent accepts shares in the second fund or in other securities in lieu of the cash amount."

The examiner admits that Gastineau fails to describe the delivery mechanism and as stated above Strauss, relied on by the examiner for the feature of the delivery, in fact does not suggest to deliver anything other than cash for a cash amount owed. The claim explicitly calls for delivery of shares of the second fund or other securities.

Claims 5-6, 11 and 15

For the purposes of this appeal only, claims 5-6, 11, and 15 stand or fall together. Appellant's claims 5 and 6 are representatives of this group of claims.

These claims are distinguished over Gastineau in view of Strauss since no combination suggests, for example, that the agent sets a maximum cash amount that it will give to or receive from the market participant (claim 5) or that transactions that exceed the maximum cash amount

will result in issuance or receipt of the shares in the second fund or in the other securities, rather than cash ... (claim 6).

There is no other option for the agent or the market participant but to exchange cash in the process of creation of SPDRs as disclosed by Strauss or the combined teachings of Gastineau and Strauss.

Claims 16 and 19

For the purposes of this appeal only, claims 16 and 19 stand or fall together. Appellant's claim 16 is representative of this group of claims.

Claim 16 is patentable over Gastineau taken separately or in combination with Strauss for analogous reasons as those given in claims 1 and 7, namely that no combination of these references suggests "... instructions ... to: record creation of the first exchange-traded fund ... produced by delivery from a market participant to an agent, in exchange for the prescribed number of shares in the first exchange-traded fund ... of a creation unit basket of securities for the first exchange-traded fund having a basis that is substantially the same basis as a creation unit basis for a second exchange-trade fund that has shares traded on a second marketplace in a second country; determine a number of shares in the second exchange-traded fund or in other securities to satisfy an amount of cash that is owed between the agent and the market participant to allow for delivery of the shares in the second exchange-trade fund or in the other securities in lieu of the cash; ... ."

No combination of Gastineau and Strauss either describes or suggests both the first fund and the second fund having the recited features.

Claims 17 and 20

Claim 17, which calls for "... instructions to: calculate the amount of cash needed to be exchanged between the agent and the market participant to have the first exchange-traded fund equate to the second exchange-traded fund at a net asset value at the close of trading of the second exchange-traded fund in the second country." is allowable for analogous reasons given for claim 2 and for reasons given for its base claim.

Claim 18

This claim is distinguished over Gastineau in view of Strauss because no combination of these references suggests a computer program product ... comprising instructions ... to calculate whether cash involved in transactions exceeds a maximum amount; and issue the second exchange-traded fund shares along with the prescribed number of shares in the first exchange-trade fund in lieu of the cash.

There is no other option for the agent or the market participant but to exchange cash in the process of creation of SPDR's as disclosed by Strauss or the combined teachings of Gastineau and Strauss.

> The examiner advanced additional reasoning that was not explicitly tied to particular claims and therefore is treated separately herein.

"The concept of exchange-traded funds was old and well-known at the time the invention was made. See citation supra for Gastineau." Appellants contend that while Gastineau teaches the SPDR ETF and a hedging vehicle for trading actively managed ETF's, Gastineau does not teach that there is any relationship between any of the mentioned ETF's or the actively managed ETF or the hedging vehicle. That is, nothing in Gastineau, as modified by Strauss, would make obvious the features of first and second funds traded in different countries, having the same (or substantially the same) creation unit basis, (claim 1) and with the net asset values calculated at the close of trading in the second fund, (claim 2) with the shares in the first and second fund being arbitragable. Indeed, the hedging portfolio of Gastineau does not have the same basis as the portfolio that it seeks to hedge against. Rather, the point of Gastineau is to develop a hedging basket of securities for an actively managed fund, whose composition is unknown.

"The concept of in-kind purchase and redemption with respect to exchange-traded funds was old and well-known at the time the invention was made. In exchange for a given creation unit for a fund, a number of shares plus/minus a cash component could be exchanged, such that the values exchanged are equal. Furthermore, it was old and well-known that this purchase and redemption occurred at net asset value. See citation supra for Strauss." Appellants' contend that the examiner's statements regarding "in-kind exchange" if meant to mean fungible and/or arbitrageable, may well be known for, e.g., ETF's traded on e.g., the

American Stock Exchange, that is, one share of a SPDR 500 as taught by Gastineau can be arbitraged against and is fungible with another SPDR 500 taught by Gastineau. That would not apply however if one of the shares were traded in, e.g., Europe, absent the novel features taught by Appellants.

"This is also a type of in-kind exchange that is common in fields related to bartering, trading and exchanges. The idea that something (i.e., usually other than money) that is an equivalent or near equivalent (i.e., in value, use etc.) can be given as an alternative or replacement for something else." Appellants respond that when the invention is taken as a whole and this specific feature is considered, namely "delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant," it is not apparent that known techniques of, e.g., barter, can be applied to the feature and combined with references that do not suggest any of the features of the claim to suggest the claim as a whole.

"Re claims 1-2, 4-8, 10-13, 15-19 and 21-26: Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art. Thus, the claimed subject matter likely would have been obvious under KSR. KSR, 127 S.Ct. at 1741, 82 USPQ2d at 1396." Appellant has addressed this argument above. The examiner has yet to find "known work in any field that suggests the features of these claims.

Applicant has addressed the examiner comments regarding the term "substantially."

Automation

The examiner also advanced the following:

"It is not 'invention' to broadly provide a mechanical or automatic means to replace manual activity which has accomplished the same result. *In re Venner*, 120 USPQ 192 (CCPA 1958) *In re Rundell*, 9 USPQ 220." Appellants do not disagree with this statement, but stress that the features of the independent claims are not **"manual activity which has accomplished the same result."** Rather, the features are novel and non-obvious for the reasons discussed above. Moreover, the examiner has not shown that the "manual activity" was known in the art before the claimed invention.

Hindsight

Appellant requests that the examiner specifically point out where in the prior art the examiner finds the "knowledge" of: "a first fund ... trading in a first country... having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country and ... delivery ... of shares in the second fund to account for a cash amount owed ... ."

Appellants submit that it is only after gleaning knowledge from Appellants' claims and teachings that the examiner constructs such an argument. Appellants are aware that any rejection is in some fashion an application of hindsight, but Appellants contend the examiner has used improper hindsight because the examiner has not found any teachings in the references that either describe or suggest any of the claimed features, and instead has resorted to misinterpretations of prior art teachings and misleading arguments and unsupported conclusions that are not based on the teachings of the references, but the examiner's apparent desire to prolong prosecution and improper reluctance allow this application.

Therefore, the examiner has not taken into account only knowledge which was within the level of ordinary skill at the time the claimed invention was made, but instead used knowledge gleaned only from the Appellant's disclosure and/or claims, in contravention of *In re McLaughlin*, 443 F.2d 1392, 170 USPQ 209 (CCPA 1971) and *KSR*, supra

Documentary Evidence

The examiner disagrees with Appellant's assertion that a rejection was made on the basis of Official Notice, and points to support in Strauss supra, as first noted in the office action 07/24/07, and the references made of record. Appellants contend that these references do not provide the requested documentary support. Appellants' repeated requests for such documentary evidence, which the examiner has not satisfied, leads to the conclusion that the support does not exist.

Conclusion

Appellant submits that claims 1-20 are directed to statutory subject matter within the meaning of 35 U.S.C. 101, are proper under 35 U.S.C. 112, second paragraph and are patentable over the art of record . Therefore, the Examiner erred in rejecting Appellant's claims and should be reversed.

Respectfully submitted,

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Appendix of Claims

1. A method of producing shares in a financial product, which are traded on a first marketplace, the method executed on a computer, the method comprising:

recording by the computer, exchange between a market participant and an agent of a creation unit basket of securities for a first fund for a prescribed number of shares in the first fund, the shares in the first fund trading in a first country, and the creation unit basket of securities having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country; and

recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.

2. The method of claim 1 further comprising:

calculating by the computer system the amount of cash needed to be exchanged between the agent and the market participant to have the net asset value of the first fund, calculated at the close of trading in the second country in which the second fund is traded, equate to the value of the creation unit basket for that first fund plus or minus that cash amount, to determine the cash amount owed between the agent and the market participant.

3. The method of claim 2 wherein if the cash amount is a negative amount the agent issues shares in the second fund or provides shares in the other securities in lieu of the cash amount, and if the cash amount is a positive amount the agent accepts shares in the second fund or in the other securities in lieu of the cash amount.

4. The method of claim 2 wherein the cash is exchanged to equate the shares in the first fund with the creation unit basket plus or minus the shares in the second fund or in the other securities provided to cover the cash amount.

5. The method of claim 2 wherein the agent sets a maximum cash amount that it will give to or receive from the market participant with respect to the cash amount owed between the agent and the market participant.

6. The method of claim 5 wherein transactions that exceed the maximum cash amount will result in issuance or receipt of the shares in the second fund or in the other securities, rather than cash, along with the prescribed number of shares in the first fund.

7. A computer program product residing on a computer readable medium for administrating a first fund that is traded on a first marketplace in a first country, the first fund based on a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country, the computer program product comprising instructions for causing a processor to:

determine a number of shares in the second fund or in other securities to account for a cash amount owed between an agent and a market participant in addition to a prescribed number of shares in the first fund exchanged between the market participant and the agent in exchange for the creation unit basket.

8. The computer program product of claim 7 further comprising instructions to:

calculate the amount of cash needed to be exchanged between the agent and the market participant to have a net asset value of the first fund, calculated at the close of trading in the second country in which the second fund is traded, equate to the value of the creation unit basket for that first fund plus or minus that cash amount, to determine the cash amount owed between the agent and the market participant.

9. The computer program product of claim 8 wherein if the cash amount is a negative amount the agent issues shares in the second fund or provide shares in the other securities in lieu

of the cash amount, and if the cash amount is a positive amount the agent accepts shares in the second fund or in the other securities in lieu of the cash amount.

10. The computer program product of claim 8 further comprising instructions to:

calculate the cash to exchange from the agent to the market participant or from market participant to the agent to equate the shares in the first fund with the creation unit basket plus or minus the shares in the second fund or in the other securities provided to cover the cash amount.

11. The computer program product of claim 8 further comprises instructions to:

calculate whether transactions exceed a maximum cash amount, resulting in the issuance or receipt of shares in the second fund or in the other securities, rather than cash, along with exchange of the prescribed number of shares in the first fund.

12. A computer system for administrating a first fund that is traded on a first marketplace in a first country, the first fund based on a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second country, the computer system comprising:

a processor:

a memory; and

a storage device that stores a program for execution by the processor using the memory, the program comprising instructions for causing the processor to:

determine a number of shares in the second fund or in other securities to account for a cash amount owed between an agent and a market participant in addition to a prescribed number of shares in the first fund exchanged between the market participant and the agent in exchange for the creation unit basket.

13. The computer system of claim 12 wherein the storage device further comprises instructions to:

calculate the amount of cash needed to be exchanged between the agent and the market participant to have a net asset value of the first fund, calculated at the close of trading in the second country in which the second fund is traded, equate to the value of the creation unit basket for that first fund plus or minus that cash amount, to determine the cash amount owed between the agent and the market participant.

14. The computer system of claim 12 wherein the storage device further comprises instructions to:

calculate the cash to exchange from the agent to the market participant or from market participant to the agent to equate the shares in the first fund with the creation unit basket plus or minus the shares in the second fund or in the other securities provided to cover the cash amount.

15. The computer system of claim 14 wherein the storage device further comprises instructions to:

calculate whether transactions exceed a maximum cash amount, resulting in the issuance or receipt of shares in the second fund or in the other securities, rather than cash, along with exchange of the prescribed number of shares in the first fund.

16. A computer program product residing on a computer readable medium, for administrating a first exchange-traded fund, the computer program product comprising instructions for causing a processor to:

record creation of the first exchange-traded fund, the first exchange-traded fund having a prescribed number of shares for trading in a first country, the first exchange-traded fund produced by delivery from a market participant to an agent, in exchange for the prescribed number of shares in the first exchange-traded fund, of a creation unit basket of securities for the first exchange-traded fund having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second country;

determine a number of shares in the second exchange-traded fund or in other securities to satisfy an amount of cash that is owed between the agent and the market participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash; and

record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities to account for the cash.

17. The computer program product of claim 16 further comprising instructions to:

calculate the amount of cash needed to be exchanged between the agent and the market participant to have the first exchange-traded fund equate to the second exchange-traded fund at a net asset value at the close of trading of the second exchange-traded fund in the second country.

18. The computer program product of claim 17 further comprising instructions to:

calculate whether cash involved in transactions exceeds a maximum amount; and

issue the second exchange-traded fund shares along with the prescribed number of shares in the first exchange-traded fund in lieu of the cash.

19. A method for administrating a first exchange-traded fund, the method executed on a computer, the method comprising:

producing the first exchange-traded fund by:

recording by the computer delivery from a market participant to an agent a creation unit basket of securities for the first exchange-traded fund, in exchange for a prescribed number of shares in the first exchange-traded fund, the shares for the first exchange-traded fund trading in a first country and the creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second country;

determining by the computer a number of shares in the second exchange-traded fund or in other securities to satisfy an amount of cash that is owed between the agent and the market

participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash; and

recording by the computer the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities to account for the cash.

20. The method of claim 19 further comprising:

calculating the amount of cash needed to be exchanged between the agent and the market participant to have the first exchange-traded fund equate to the second exchange-traded fund at a net asset value at the close of trading of the second exchange-traded fund in the second country.

Evidence Appendix

None.

Related Proceedings Appendix

None.